

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5781 SB	<b>Title:</b> Retired lcl gvrnmnt employee
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## Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Washington State Health Care Authority	0	150,683,433	0	200,598,787	0	234,829,588
<b>Total \$</b>	0	150,683,433	0	200,598,787	0	234,829,588

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	0	0	.0	0	0	.0	0	0
Washington State Health Care Authority	8.5	0	150,683,433	8.0	0	200,598,787	8.0	0	234,829,589
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
<b>Total</b>	8.5	\$0	\$150,683,433	8.0	\$0	\$200,598,787	8.0	\$0	\$234,829,589

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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<b>Prepared by:</b> Elise Greef, OFM	<b>Phone:</b> 360-902-0539	<b>Date Published:</b> Final 4/15/2005
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 12087

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5781 SB	<b>Title:</b> Retired lcl gvrnmnt employee	<b>Agency:</b> 035-Office of State Actuary
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## Part I: Estimates

☒ **No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Robert Baker	Phone: 586-9237	Date: 02/25/2005
Agency Approval: Matthew M. Smith	Phone: 360-753-9144	Date: 02/25/2005
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/25/2005

# FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	2/25/05	SB 5781

## SUMMARY OF BILL:

This bill impacts the Public Employee's Retirement System (PERS) by allowing members who retire (PERS 1 & 2) or separate (PERS 3 at age 55 with 10 years of service) from a county, municipality, or other political subdivision of the state, and who select to participate in insurance plans provided by their employers immediately upon retirement or separation, to move to coverage provided by the Public Employee's Benefits Board during the open enrollment period of each year, provided that no lapse in coverage results.

Counties, municipalities, and other political subdivision employers would be required to remit to the Health Care Authority an amount that would cover the cost of premium subsidies for such retirees. These monies would be deposited in the public employees' and retirees' insurance account.

Effective Date: July 1, 2005

## CURRENT SITUATION:

Currently retired or disabled state, K-12, and higher education employees are eligible for continuation of coverage under the Public Employees' Benefits Board insurance programs.

Retired or disabled county, municipality, or other political subdivision PERS 1 and PERS 2 employees, and their dependents, are eligible to continue in insurance programs offered by their employers (if available).

Separated county, municipality, or other political subdivision PERS 3 employees who are at least age 55 and have at least 10 years of service are eligible to continue in insurance programs offered by their employers (if available).

## MEMBERS IMPACTED:

We estimate that all members retiring from PERS 1 & 2 and all PERS 3 members who separate from service and are at least age 55 with 10 or more years of service will be affected by this bill. This bill could impact 6,093 out of 19,740 PERS 1 active members, 54,429 out of 117,262 PERS 2 active members, and 6,127 out of 17,548 active PERS 3 members, for a total of 66,649 out of 154,550 active PERS members.

This bill would not increase retirement benefits in the affected systems.

**ASSUMPTIONS:**

We assume that retirement rates for PERS Plans 1 and 2 and the termination rates for PERS 3 will not increase or decrease as a result of this bill.

**FISCAL IMPACT:**

None.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5781 SB	<b>Title:</b> Retired lcl gvrnmnt employee	<b>Agency:</b> 107-Wash State Health Care Authority
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
Public Employees' and Retirees InsuranceAccount-Non-Appropriated 721-6	67,440,686	83,242,747	150,683,433	200,598,787	234,829,588
<b>Total \$</b>	67,440,686	83,242,747	150,683,433	200,598,787	234,829,588

### Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	9.0	8.0	8.5	8.0	8.0
<b>Fund</b>					
St Health Care Authority Admin Acct-State 418-1	675,126	502,559	1,177,685	1,013,033	1,024,282
Public Employees' and Retirees InsuranceAccount-Non-Appropriated 721-6	66,765,560	82,740,188	149,505,748	199,585,754	233,805,307
<b>Total \$</b>	67,440,686	83,242,747	150,683,433	200,598,787	234,829,589

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Nguyen Dang	Phone: (360) 923-2867	Date: 02/25/2005
Agency Approval: Connie Robins	Phone: 360 923 2923	Date: 04/15/2005
OFM Review: Elise Greef	Phone: 360-902-0539	Date: 04/15/2005

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached Narrative.

### II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

### II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached Narrative.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	9.0	8.0	8.5	8.0	8.0
A-Salaries and Wages	324,762	306,660	631,422	613,320	613,320
B-Employee Benefits	75,345	71,145	146,490	142,290	142,290
C-Personal Service Contracts	75,000	10,000	85,000	20,000	20,000
E-Goods and Services	125,353	112,088	237,441	232,091	243,340
G-Travel	2,916	2,666	5,582	5,332	5,332
J-Capital Outlays	71,750		71,750		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services	66,765,560	82,740,188	149,505,748	199,585,754	233,805,307
<b>Total:</b>	<b>\$67,440,686</b>	<b>\$83,242,747</b>	<b>\$150,683,433</b>	<b>\$200,598,787</b>	<b>\$234,829,589</b>

**III. B - Detail:** List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Benefits Marketing Representative	44,724	0.8		0.4		
Budget Program Specialist 3	44,724	0.5	0.5	0.5	0.5	0.5
Customer Service Representatives	27,636	2.3		1.2		
Financial Analyst 2	36,708	0.8	1.5	1.2	1.5	1.5
Financial Analyst 4	44,724	0.3	0.5	0.4	0.5	0.5
Health Service Consultant 4	53,136	0.5	1.0	0.8	1.0	1.0
HIBS 2	34,092	1.5	2.5	2.0	2.5	2.5
Medical Program Specialist 2	46,992	0.8		0.4		
Office Assistant Senior	26,988	0.5	1.0	0.8	1.0	1.0
Public Information Officer 2	41,520	1.0	1.0	1.0	1.0	1.0
<b>Total FTE's</b>		<b>9.0</b>	<b>8.0</b>	<b>8.5</b>	<b>8.0</b>	<b>8.0</b>

### III. C - Expenditures By Program (optional)

Program	FY 2006	FY 2007	2005-07	2007-09	2009-11
PEBB (040)	27,851,221	34,364,407	62,215,628	83,196,176	97,714,624
UMP (050)	39,589,465	48,878,340	88,467,805	117,402,611	137,114,965
<b>Total \$</b>	67,440,686	83,242,747	150,683,433	200,598,787	234,829,589

### Part IV: Capital Budget Impact

See attached Narrative.

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

See attached Narrative.

# HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

The bill would allow all Public Employee Retirement Systems (PERS) Plan 1, 2 or 3 members who are receiving a retirement allowance as of July 1, 2005, who separated from employment with a county, municipality, or other political subdivisions, to purchase health insurance through the Public Employees' Benefit Board (PEBB) program. Also, any members of PERS Plan 1, 2 or 3 who separate from employment with a county, municipality, or other political subdivision on or after July 1, 2005 will be eligible to join PEBB.

#### Apparent Contradiction:

Sec. 6 of this bill provides for a remittance fee to be paid by local governments who do not contract with PEBB for insurance benefits. The fee is to cover the cost of premium subsidies for retirees and administration costs related to their coverage. **Sec. 6(1) provides that PEBB will establish the fee. Sec. 6(3) states that the Health Care Authority (HCA) has the authority to establish the fee.** For the purpose of this fiscal note, HCA assumes that HCA will establish the remittance and develop a method to collect it from local government employers based on the numbers of appropriate employees.

HCA assumes that the K-12 remittance and the local government remittance will be set independently, and that the local government remittance will be based on the increase in administrative costs and plan rates for current PEBB members caused by the retired local government employees joining PEBB.

HCA assumes PERS Plan 1, 2, and 3 retired local government members may join PEBB on July 1, 2005, as directed in the bill.

### II. B – Cash Receipts Impact

HCA assumes that the non-Medicare and Medicare enrollment will increase, since additional local government employees are now eligible for PEBB benefits. New revenues will be collected from the additional non-Medicare and Medicare retirees. New revenues that normally would result from current members paying an increased plan rate, due to any impact to the non-Medicare risk pool, will be collected through a new local government remittance. In other words, the changes in the current implicit subsidy and the effective explicit subsidy that PEBB retirees receive will be funded through the remittance along with HCA's administrative expenditures. The cash receipts estimates are detailed below:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Local Government Remittance	\$24,619,605	\$30,122,786	\$34,652,767	\$ 37,512,319	\$ 40,304,366	\$ 43,623,027
New Non Medicare Retirees	\$20,816,747	\$27,195,916	\$32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
New Medicare Retirees	\$22,004,334	\$25,924,045	\$28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
<b>Total Fund 721</b>	<b>\$67,440,686</b>	<b>\$83,242,747</b>	<b>\$96,128,809</b>	<b>\$104,469,978</b>	<b>\$112,627,281</b>	<b>\$122,202,307</b>



## HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

### II. C - Expenditures

The estimated total expenditures are detailed below:

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
PEBB Benefits Fund (Fund 721)	\$66,765,560	\$82,740,188	\$95,623,622	\$103,962,132	\$112,116,817	\$121,688,490
HCA Administrative Account (Fund 418)	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
<b>Total Expenditures</b>	<b>\$67,440,686</b>	<b>\$83,242,747</b>	<b>\$96,128,809</b>	<b>\$104,469,978</b>	<b>\$112,627,281</b>	<b>\$122,202,307</b>

#### **PEBB Background and General Assumptions:**

PEBB purchases health care benefits for many subgroups composed of many members. By purchasing insurance for combined groups, the higher costs for sicker and/or older members are somewhat offset by the lower costs for healthier and/or younger members. PEBB has two distinct groups of members: (1) the state active employees and non-Medicare retirees and (2) Medicare retirees. Each group is referred to as a "risk pool." The insurance companies evaluate the risk involved to insure each group and establish rates based on the perceived risk of future claims.

#### **PEBB Non-Medicare Subsidy Assumptions:**

The state active/non-Medicare risk pool consists of all state active employees and non-Medicare retirees under the age of 65 who are not eligible for Medicare. This bill proposes to allow political subdivision employees in PERS Plan 1, 2 or 3 who will retire or have retired from employment to join PEBB. As the numbers of older participants join PEBB, the insurance companies risk of future health care claims increases. Based on available claims, demographics, and diagnostic data, HCA's actuaries, Mercer Human Resources Consulting, estimate that PEBB non-Medicare retirees have approximately a 50 percent higher risk factor than a state active enrollee, and HCA expects health plans to raise their premium rates to cover the increased costs. The additional state cost from the pooling of non-Medicare retiree enrollees with the younger, state active employees is referred to as the non-Medicare implicit subsidy. Enrolling more non-Medicare retiree enrollees in the risk pool increases this implicit subsidy. HCA assumes that the local government remittance will cover the increased subsidy costs, so that current PEBB members and K-12 school districts will not bear any additional expenses from retired local government members joining PEBB. The estimated average rate increase for PEBB members is \$7.82 per subscriber per month (pspm) for CY 06. See enrollment assumptions below.

#### **PEBB Medicare Subsidy Assumptions:**

HCA assumes that the additional Medicare retirees joining the Medicare risk pool will not affect Medicare plan rates, since the additional enrollee's health is assumed to be similar to the current Medicare population. However, these retirees will receive the explicit subsidy (\$132 per member per month for CY 06, which is equivalent to \$170 pspm) that all Medicare retirees receive, and HCA assumes that this additional explicit subsidy cost, like the implicit subsidy cost, will be covered by the local government remittance.

#### **Enrollment Assumptions:**

The Office of the State Actuary (OSA) and the Department of Retirement Systems have provided HCA with projections of how many local government employees will be eligible to join PEBB in CY 06 – CY 11 based on this bill. HCA makes the following additional assumptions:

## HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

- 50% of eligible members will join PEBB.
- Non-Medicare: Of the group choosing PEBB, 59.4% would enroll in Uniform Medical Plan (UMP). (Percentage is calculated on current UMP/MCO non-Medicare retiree ratio from the fall 2004 PEBB model).
- Medicare: Of the group choosing PEBB, 63.8% would enroll in UMP coverage. (Percentage is calculated on current UMP/MCO Medicare retiree ratio from the fall 2004 PEBB model).

Based on these assumptions the estimated total increase in PEBB enrollment is:

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Non-Medicare Retirees	2,839	3,379	3,917	4,443	4,936	5,405	5,863
Medicare Retirees	6,594	6,884	7,200	7,555	7,937	8,342	9,246
<b>Total Increase in PEBB</b>	<b>9,433</b>	<b>10,262</b>	<b>11,117</b>	<b>11,997</b>	<b>12,872</b>	<b>13,746</b>	<b>15,109</b>

### Administration:

HCA will require the assistance and expertise of actuaries to calculate the remittance. This will involve estimating the non-Medicare risk factor with and without the new enrollees each year so that the changes in the implicit subsidy can be determined. HCA will also require significant assistance to make one-time modifications to PEBB's current rates projection model. These expenditures are estimated at \$75,000 for FY 06 and \$10,000 ongoing.

In addition to the actuarial services discussed above, HCA will also have new communication and processing expenses as follows:

### Additional staffing on July 1, 2005

- 1.0 FTE Public Information Officer 2 to work on outreach materials to local government retirees and assist with updating current employer group materials.
- 1.0 FTE Medical Program Specialist 2 temporary for 9 months beginning on July 1, 2005 to manage a project plan for enrollment of local government retirees; draft rules, policies, processes and procedures while paying close attention to how they will impact current processes, policies and rules; and draft language for communication materials.
- 1.0 FTE Benefits Marketing Representative temporary for 9 months beginning on July 1, 2005 for initial outreach to local government retirees, such as speaking to retiree groups like the Retired Public Employees Council regional chapters to assist their retiree population with eligibility questions and enrollment. Adding additional retiree sessions during Open Enrollment to facilitate group question and answer sessions to assist retirees and their family members that will need to make enrollment decisions. Training Senior Health Insurance Benefits Assistance and other volunteers who give one-on-one assistance to retirees that are in nursing homes or unable to attend public meetings.
- 1.5 FTE Health Information Benefit Specialists 2 to process additional enrollments and perform account maintenance based on the current caseload for PEBB retirees.
- 3.0 FTE Customer Service Representatives temporary for 9 months beginning on September 1, 2005 to absorb initial phone call volume related to eligibility and enrollment questions, call eligibility to the carriers, handle returned mail and address corrections.
- 0.5 FTE Budget Program Specialist 3 to assist the program analyst with rate development and updates to the projection model.
- Additional communication, processing and mailing expenses are estimated at \$41,000 for FY 06 and \$34,000 for FY 07.

## HCA Fiscal Note

Bill Number: SB 5781

HCA Request #:05-25

### Additional staffing on January 1, 2006

- 0.5 FTE Financial Analyst (FA) 4 for supervision.
- 1.5 FTE FA 2 to assist with account maintenance, billing questions, and revenue collection.
- 1.0 FTE Health Services Consultant 4 to respond to correspondence, respond to appeals and attend hearings.
- 1.0 FTE Office Assistant Senior to manage correspondence and track appeals and assist training and outreach with scheduling and responding to requests for presentations to local retiree groups.

### **Remittance:**

Based on the estimated implicit and explicit subsidy, enrollment and administrative expenditures, HCA estimates that the remittance rate will be \$25.02 per employee per month (pepm) for FY 06 collected among 82,000 local government employees currently in PERS Plan 1, 2 or 3. A comparable remittance based on actuarial analysis of actual experience is collected on behalf of approximately 100,000 K-12 employees who are eligible to purchase their health care through PEBB. In FY 06, the K-12 remittance is \$48.46 pepm.

### Remittance Summary:

	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>
Total New Enrollment into PEBB	9,848	10,689	11,557	12,435	13,309	14,427
Estimated Implicit Subsidy	\$10,960,758	\$ 14,220,155	\$ 17,018,246	\$ 19,020,094	\$20,895,850	\$22,691,466
Estimated Explicit Subsidy	\$12,983,722	\$ 15,400,073	\$ 17,129,334	\$ 17,984,379	\$18,898,051	\$20,417,744
Estimated Administrative Expenditure	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
<b>Total Additional Subsidy</b>	<b>\$24,619,605</b>	<b>\$ 30,122,786</b>	<b>\$ 34,652,767</b>	<b>\$ 37,512,319</b>	<b>\$40,304,366</b>	<b>\$43,623,027</b>

  

Total Remittance Payers	82,000	82,000	82,000	82,000	82,000	82,000
<b>Local Government Remittance (pepm)</b>	<b>\$ 25.02</b>	<b>\$ 30.61</b>	<b>\$ 35.22</b>	<b>\$ 38.12</b>	<b>\$ 40.96</b>	<b>\$ 44.33</b>

## **Part IV: Capital Budget Impact**

None

## **Part V: New Rule Making Required**

Yes. Chapter 182-12 WAC would need amended to include eligibility for local government retirees. Chapter 182-08 would need amended or a new section added to include procedures related to the remittance.

# HCA Fiscal Note

Bill #:SB 5781

Summary of impacts

HCA Request: 05-25

FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
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## Expenditures

Fund

PEBB/UMP							
Managed Care Organizations (MCOs)		\$ 27,176,095	\$ 33,861,849	\$ 39,302,123	\$ 42,881,020	\$ 46,359,819	\$ 50,330,523
UMP		\$ 39,589,465	\$ 48,878,340	\$ 56,321,499	\$ 61,081,112	\$ 65,756,998	\$ 71,357,967
Total PEBB Benefits Increase	721	\$ 66,765,560	\$ 82,740,188	\$ 95,623,622	\$ 103,962,132	\$ 112,116,817	\$ 121,688,490
Additional Administrative Costs:	418	\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Additional Administrative Costs:	439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Administrative Costs:	438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total UMP Administration		\$ 675,126	\$ 502,559	\$ 505,187	\$ 507,846	\$ 510,464	\$ 513,818
Total PEBB Benefits and Administration		\$ 67,440,686	\$ 83,242,747	\$ 96,128,809	\$ 104,469,978	\$ 112,627,281	\$ 122,202,307

# HCA Fiscal Note

Bill #:SB 5781

PEBB-UMP Impact

HCA Request: 05-25

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
<b>Expenditure change</b>						
721 Benefits	66,765,560	82,740,188	95,623,622	103,962,132	112,116,817	121,688,490
418 Administration	675,126	502,559	505,187	507,846	510,464	513,818
439 UMP Admin	-	-	-	-	-	-
438 UDP Admin	-	-	-	-	-	-
<b>Total</b>	<b>67,440,686</b>	<b>83,242,747</b>	<b>96,128,809</b>	<b>104,469,978</b>	<b>112,627,281</b>	<b>122,202,307</b>

<b>Estimated Total Enrollment</b>						
State active subscribers (FR basis)	108,643	108,643	108,643	108,643	108,643	108,643
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	13,554	14,093	14,625	15,134	15,615	16,079
Medicare Retirees	45,086	46,693	48,377	50,139	51,974	54,118
<b>Total</b>	<b>181,013</b>	<b>183,158</b>	<b>185,374</b>	<b>187,646</b>	<b>189,962</b>	<b>192,570</b>

<b>Revenue change</b>						
State Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Share (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Enrollment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Government Remittance	\$ 24,619,605	\$ 30,122,786	\$ 34,652,767	\$ 37,512,319	\$ 40,304,366	\$ 43,623,027
New Non Medicare Retirees	\$ 20,816,747	\$ 27,195,916	\$ 32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
New Medicare Retirees	\$ 22,004,334	\$ 25,924,045	\$ 28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
<b>Total</b>	<b>\$ 67,440,686</b>	<b>\$ 83,242,747</b>	<b>\$ 96,128,809</b>	<b>\$ 104,469,978</b>	<b>\$ 112,627,281</b>	<b>\$ 122,202,307</b>

<b>State Share Source</b>						
46.1% GF-State	-	-	-	-	-	-
7.8% GF-Federal	-	-	-	-	-	-
0.7% GF-Local	-	-	-	-	-	-
19.5% Other Appropriated	-	-	-	-	-	-
25.9% Non Appropriated	-	-	-	-	-	-
<b>100.0% Total Active revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Employer Funding rate impact

	Enrollment						
MCO	57,843						
UMP	46,065						
Waivers	4,735						
<b>Total</b>	<b>108,643</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Notes:

- 1) This fiscal note assumes that state employees pay an average of 12% of the cost of medical premiums in CY 05 and following years.
- 2) Since the Cover Sheet Fund 721 does not include the GF-S, GF-F, and GF-L as revenue, but does include them as expenditures, the bolded funds above, (less Funds 418, 438, and 439) equal the Cover Sheet Fund 721 expenditure line.

	Estimated Remittance Summary					
<b>New Active Employees</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>
Non-Participating Local Government (1)	82,000	82,000	82,000	82,000	82,000	82,000
<b>Total Remittance Payers</b>	<b>82,000</b>	<b>82,000</b>	<b>82,000</b>	<b>82,000</b>	<b>82,000</b>	<b>82,000</b>
<b>Additional Expenditures from Increase in Subscribers</b>						
Estimated Annual Premium Increase for riskpool impact	10,960,758	14,220,155	17,018,246	19,020,094	20,895,850	22,691,466
Estimated Annual Explicit Subsidy for Retirees	12,983,722	15,400,073	17,129,334	17,984,379	18,898,051	20,417,744
Estimated Annual Administrative Expenditure	675,126	502,559	505,187	507,846	510,464	513,818
<b>Total Additional Subsidy</b>	<b>24,619,605</b>	<b>30,122,786</b>	<b>34,652,767</b>	<b>37,512,319</b>	<b>40,304,366</b>	<b>43,623,027</b>
 <b>Local Government Remittance (Per employee per month)</b>	 <b>25.02</b>	 <b>30.61</b>	 <b>35.22</b>	 <b>38.12</b>	 <b>40.96</b>	 <b>44.33</b>

Notes:

1) Assumes that there will always be 82,000 non-PEBB local government who are in PERS Plan 1, 2 or 3 (based on December 2004 OSA estimate of active local government PERS members).

## HCA Fiscal Note Medicare Summary

### Estimated Expenditure

Estimated Enrollment	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Estimated retiring local government members <b>(1)(2)</b>	6,594	6,884	7,200	7,555	7,937	8,342	9,246
Additional Medicare Subscribers	6,594	6,884	7,200	7,555	7,937	8,342	9,246
Retirees Premium	\$ 255.85	\$ 287.69	\$ 325.05	\$ 325.05	\$ 325.05	\$ 325.05	\$ 325.05
Effective Explicit Subsidy per Subscriber <b>(4)</b>	\$ 150.20	\$ 170.48	\$ 193.49	\$ 193.49	\$ 193.49	\$ 193.49	\$ 193.49
Current Blended Medicare Retirees Rate <b>(3)</b>	\$ 406.05	\$ 458.17	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54	\$ 518.54
Expenditures for Retirees	\$ 20,244,899	\$ 23,763,769	\$ 28,084,320	\$ 29,467,083	\$ 30,957,112	\$ 32,536,855	\$ 36,062,997
Expenditures for Explicit Subsidy	\$ 11,885,073	\$ 14,082,371	\$ 16,717,775	\$ 17,540,893	\$ 18,427,864	\$ 19,368,239	\$ 21,467,248
<b>Additional Expenditure for new Medicare Retirees</b>	<b>\$ 32,129,972</b>	<b>\$ 37,846,140</b>	<b>\$ 44,802,095</b>	<b>\$ 47,007,976</b>	<b>\$ 49,384,976</b>	<b>\$ 51,905,094</b>	<b>\$ 57,530,246</b>

### Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Expenditures Collected from Medicare	\$ 22,004,334	\$ 25,924,045	\$ 28,775,701	\$ 30,212,097	\$ 31,746,983	\$ 34,299,926
Expenditures from Explicit Subsidy	\$ 12,983,722	\$ 15,400,073	\$ 17,129,334	\$ 17,984,379	\$ 18,898,051	\$ 20,417,744
<b>Additional Expenditures for new Medicare Retirees</b>	<b>\$ 34,988,056</b>	<b>\$ 41,324,117</b>	<b>\$ 45,905,035</b>	<b>\$ 48,196,476</b>	<b>\$ 50,645,035</b>	<b>\$ 54,717,670</b>

### Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2005 estimates, includes members who are retired receiving a retirement under PERS 1, 2 or 3 as of July 1, 2005 and employees who separate on or after July 1, 2005
- 3) Medicare Retiree rate came from the fall 2004 legislative model.
- 4) Effective Explicit Subsidy is based on a ratio of 1.34 Adult Units per Medicare Retiree subscriber (Assumption is based on fall 2004 legislative model).

**HCA Fiscal Note**  
**Non-Medicare Summary**

Estimated Expenditure

	CY 05	CY 06	CY 07	CY 08	CY 09	CY 10	CY 11
Current Estimated Enrollment							
State active subscribers (Funding Rate basis)	103,908	103,908	103,908	103,908	103,908	103,908	103,908
Other active subscribers	13,730	13,730	13,730	13,730	13,730	13,730	13,730
Non Medicare Retirees	10,445	10,445	10,445	10,445	10,445	10,445	10,445
<b>Total Non Medicare (NMC) Subscribers</b>	<b>128,083</b>	<b>128,083</b>	<b>128,083</b>	<b>128,083</b>	<b>128,083</b>	<b>128,083</b>	<b>128,083</b>
Current Blended Premium Rate (MCO/UMP) Per subscriber <b>(3)</b>	\$ 620.49	\$ 689.38	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90	\$ 765.90
Adjusted Non Medicare Risk Profile (current rate 1.041) <b>(4)</b>	1.051	1.053	1.054	1.056	1.058	1.059	1.061
Adjusted Non Medicare Rate Per Subscriber	\$ 626.43	\$ 697.20	\$ 775.93	\$ 777.23	\$ 778.44	\$ 779.58	\$ 780.69
Monthly Premium Impact Per Subscriber	\$ 5.94	\$ 7.82	\$ 10.03	\$ 11.33	\$ 12.54	\$ 13.68	\$ 14.79
<b>Additional Expenditure for Premium Increase</b>	<b>\$ 4,731,135</b>	<b>\$ 12,459,246</b>	<b>\$ 15,981,063</b>	<b>\$ 18,055,429</b>	<b>\$ 19,984,760</b>	<b>\$ 21,806,941</b>	<b>\$ 23,575,991</b>
<b>Estimated increase in Non-Medicare Retiree (1)(2)</b>	<b>2,839</b>	<b>3,379</b>	<b>3,917</b>	<b>4,443</b>	<b>4,936</b>	<b>5,405</b>	<b>5,863</b>
Current Non Medicare Retiree rate <b>(3)</b>	\$ 519.19	\$ 579.89	\$ 643.00	\$ 643.00	\$ 643.00	\$ 643.00	643.00
Adjusted Non Medicare Risk Profile (current rate 1.041) <b>(4)</b>	1.051	1.053	1.054	1.056	1.058	1.059	1.061
Adjusted Non Medicare Retiree Rate	\$ 524.16	\$ 586.47	\$ 651.42	\$ 652.51	\$ 653.53	\$ 654.49	\$ 655.42
<b>Additional Expenditures for new Non Medicare Retirees</b>	<b>\$ 8,928,501</b>	<b>\$ 23,776,492</b>	<b>\$ 30,615,341</b>	<b>\$ 34,785,341</b>	<b>\$ 38,705,783</b>	<b>\$ 42,446,081</b>	<b>\$ 46,112,627</b>
<b>Total Expenditure</b>	<b>\$ 13,659,636</b>	<b>\$ 36,235,738</b>	<b>\$ 46,596,404</b>	<b>\$ 52,840,770</b>	<b>\$ 58,690,543</b>	<b>\$ 64,253,021</b>	<b>\$ 69,688,619</b>

Fiscal Year Conversion

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Additional Expenditure for Premium Increase	\$ 10,960,758	\$ 14,220,155	\$ 17,018,246	\$ 19,020,094	\$ 20,895,850	\$ 22,691,466
Additional Expenditure for new Non Medicare Retirees	\$ 20,816,747	\$ 27,195,916	\$ 32,700,341	\$ 36,745,562	\$ 40,575,932	\$ 44,279,354
<b>Total Additional Expenditures</b>	<b>\$ 31,777,504</b>	<b>\$ 41,416,071</b>	<b>\$ 49,718,587</b>	<b>\$ 55,765,656</b>	<b>\$ 61,471,782</b>	<b>\$ 66,970,820</b>

Notes:

- 1) Eligible member estimates came from the Office of the State Actuary, including HCA's assumption that 50% of eligible members will join PEBB.
- 2) 2005 estimates, includes members who are retired receiving a retirement under PERS 1, 2 or 3 as of July 1, 2005 and employees who separate on or after July 1, 2005.
- 3) Current Blended Premium and Non Medicare Retirees rate came from the fall 2004 legislative model.
- 4) Calculations for Risk Profile does not include waivers (4,735), but they are still affected by the change in risk.



# HCA Fiscal Note

## Table 3, Other Admin

Bill #:SB 5781

Other Admin

HCA Request: 05-25

SIX YEAR EXPENDITURE ESTIMATE FOR:										Six
Title: Retired Icl Government										Year
Bill #:SB 5781			1st			2nd			3rd	Total
HCA Request: 05-25	FY06	FY07	Biennium	FY08	FY09	Biennium	FY10	FY11	Biennium	
FTE	8.8	8.0	8.4	8.0	8.0	8.0	8.0	8.0	8.0	8.1
Salaries	324,762	306,660	631,422	306,660	306,660	613,320	306,660	306,660	613,320	1,858,062
Benefits	75,345	71,145	146,490	71,145	71,145	142,290	71,145	71,145	142,290	431,070
Personal Service Contracts	75,000	10,000	85,000	10,000	10,000	20,000	10,000	10,000	20,000	125,000
Goods and Services	125,353	112,088	237,440	114,716	117,375	232,091	119,993	123,347	243,340	712,871
1. Supplies	4,874	4,456	9,330	4,456	4,456	8,912	4,456	4,456	8,912	27,154
2. Telephone	3,001	2,744	5,745	2,744	2,744	5,488	2,744	2,744	5,488	16,721
3. Facilities Mgmt. (EC, ED, & EK)	44,905	41,056	85,961	41,056	41,056	82,112	41,056	41,056	82,112	250,185
4. Printing / Copies	1,741	1,592	3,333	1,592	1,592	3,184	1,592	1,592	3,184	9,701
5. Employee Training	3,343	3,056	6,399	3,056	3,056	6,112	3,056	3,056	6,112	18,623
6. Personnel Service Charge	2,273	2,147	4,420	2,147	2,147	4,294	2,147	2,147	4,294	13,008
7. Data Processing Charges "EL"	24,500	22,400	46,900	22,400	22,400	44,800	22,400	22,400	44,800	136,500
8. Attorney General Revolving Fund "EM"	0	0	0	0	0	0	0	0	0	0
9. "Special " Data Processing	0	0	0	0	0	0	0	0	0	0
10. Misc Goods & Services "EZ"	0	0	0	0	0	0	0	0	0	0
11. IS expenditures for additional new enrollees	5,909	6,414	12,322	6,934	7,461	14,395	7,985	8,656	16,642	43,359
12. Additional Lock Box Fee	25,374	27,394	52,768	29,476	31,583	61,059	33,682	36,365	70,047	183,874
13. Additional Communication Expenditures	9,433	829	10,262	855	881	1,735	875	874	1,749	13,746
14. "SPECIAL" Goods & Services	0	0	0	0	0	0	0	0	0	0
Travel	2,916	2,666	5,582	2,666	2,666	5,332	2,666	2,666	5,332	16,246
Equipment	71,750	0	71,750	0	0	0	0	0	0	71,750
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
Other -	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>675,126</b>	<b>502,559</b>	<b>1,177,684</b>	<b>505,187</b>	<b>507,846</b>	<b>1,013,033</b>	<b>510,464</b>	<b>513,818</b>	<b>1,024,282</b>	<b>3,214,999</b>
001-2 General Fund - Federal	0	0	0	0	0	0	0	0	0	0
721-6 PEBB Insurance Account	675,126	502,559	1,177,684	505,187	507,846	1,013,033	510,464	513,818	1,024,282	3,214,999
760-1 Health Services Acct	0	0	0	0	0	0	0	0	0	0
<b>Total Funds</b>	<b>675,126</b>	<b>502,559</b>	<b>1,177,684</b>	<b>505,187</b>	<b>507,846</b>	<b>1,013,033</b>	<b>510,464</b>	<b>513,818</b>	<b>1,024,282</b>	<b>3,214,999</b>
	FY06	FY07	1st Bien.	FY08	FY09	2nd Bien.	FY10	FY11	3rd Bien.	6 Year Total
Non-appropriated			0			0			0	0
Non-appropriated			0			0			0	0
<b>Total Non-appropriated funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5781 SB	<b>Title:</b> Retired lcl gvrnmnt employee	<b>Agency:</b> 124-Department of Retirement Systems
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## Part I: Estimates

☒ **No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/23/2005
Agency Preparation: Dave Nelsen	Phone: (360) 664-7304	Date: 02/24/2005
Agency Approval: John Charles	Phone: (360) 664-7312	Date: 02/28/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/28/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill amends the definition of retired employee in RCW 41.05, granting eligibility for health care coverage under the Public Employees Benefits Board (PEBB) to members of Public Employees’ Retirement System (PERS) who left or leave employment with a county, municipality or other political subdivision under the following conditions:

- Have separated from employment and are receiving a PERS retirement allowance as of July 1, 2005 or;
- Separate from employment on or after July 1, 2005 and, immediately upon separation, begin receiving a PERS retirement allowance or;
- Are PERS Plan 3 members, who are at least 55 years of age and have at least 10 years of service credit in PERS, and separate from employment on or after July 1, 2005 and, immediately upon separation, elect to continue health insurance coverage with their employer or coverage provided by PEBB.

The bill also allows retired and separated employees who selected participation in insurance plans provided by their employers immediately upon retirement to switch to PEBB coverage during the annual open enrollment period, provided that no lapse in coverage results.

The benefits provided under the PEBB program are administered by the Health Care Authority. This bill will have no impact on the Department of Retirement Systems.

II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*